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INFO AMEMBASSY BELGRADE

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TAGS: EGEN, UR

SUBJ: 1974 SOVIET PLAN AND BUDGET

REF: MOSCOW'S 12957, DECEMBER 21, 1972

1. SUMMARY. AS EXPECTED, REPORTS ON 1974 SOVIET PLAN AND BUDGET DELIVERED AT DECEMBER 12 SUPREME SOVIET SESSION BY GOSPLAN CHAIRMAN BAYBAKOV AND MINFINANCE GARBUZOV WERE RETATIVELY UP-BEAT COMPARED WITH SOMBER PICTURE THEY PRESENTED LAST DECEMBER REFTEL). HOWEVER, TONS OF REPORTS DEFINITELY NOT EUPHORIC, DESPITE RECORD GRAIN HARVEST (WHICH

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NOW CLAIMED TO HAVE EXCEEDED 220 MILLION TONS), AND BAYBAKOV'S PRESENTATION CALLED ATTENTION TO ESSENT AL SAME PROBLEMS

CITED LAST YEAR. EXAMINATION OF STATISTICS IN REPORTS REVEALS THAT PLANNED 1974 GROWTH RATES IN ALMOST ALL CASES BELOW THOSE ORIGINALLY ESTABLISHED IN 1971-75 FIVE-YEAR PLAN, WHICH MAKES ACHIEVEMENT OF MOST 1975 TARGETS HIGHLY UNLIKELY. ALTHOUGH STRESS ON CONSUMER WELFARE STRONGER THAN LAST YEAR, EXAMINATION OF STATISTICS ON INVESTMENTS INDICATE THAT CONSUMERS' RELATIVE POSITION NOT LIKELY TO IMPROVE DURING 1974. SECTION ON FOREIGN TRADE IN BAYBAKOV'S REPORT CONTAINS INTERESTING NEW ELEMENTS ON HANDLING OF CMEA TRADE AND POLICY TOWARD TRADE WITH WEST. MOST STRIKING ASPECT OF GARBUZOM'S BUDGET REPORT WAS SMALL REDUCTION IN OSTENSIBLE DEFENSE OUTLAYS, WHICH WAS HANDLED IN SURPRISINGLY LOW-KEY MANNER. BOTH BAYBAKOV AND GARBUZOV PAID TRIBUTE TO BREZHNEV'S PERSONAL ROLE IN ECONOMIC AREA, BUT TREATMENT, WHILE GREATER THAN IN 1972 PLAN/BUDGET REPORTS, IS GENERALLY IN LINE WITH HANDLING OF BREZHNEV'S CONTRIBUTIONS IN OTHER AREAS. END SUMMARY.

2. 1973 RESULTS. IN DISCUSSING 1973 RESULTS, BAYBAKOV PREDICTABLY STRESSED OVERFULFILLMENT OF NATIONAL INCOME (UP 6.3 PERCENT VS SIX PERCENT PLANNED) AND INDUSTRIAL PRODUCTION UP (7.3 PERCENT VS 5.8 PERCENT PLANNED) TARGETS AND RECORD GRAIN HARVEST. HE ACKNOWLEDGED, HOWEVER, THAT 1971-73 GROWTH TARGETS ESTABLISHED IN FIVE-YEAR PLAN HAD NOT BEEN "COMPLETELY" ACHIEVED, FACT WHICH HE ATTRIBUTED TO VARIOUS INEFFICIENCIES AND "ABOVE ALL" TO FAILURE ACHIEVE PLANNED INCREASE IN LABOR PRODUCTIVITY.

3. 1974 PLAN. GOALS OUTLINED BY BAYBAKOM ARE SUBSTANTIALLY HIGHER THAN THOSE IN 1973 PLAN AND CLOSE TO ACTUAL RESULTS CLAIMED FOR 1973. HOWEVER, IN ALMOST ALL CASES, GROWTH TARGETS ARE BELOW THOSE ORIGINALLY ESTABLISHED FOR 1974 AND, PARTICULARLY WHEN TAKEN WITH DOWNWARD REVISIONS MADE IN 1973 PLAN (PARA 5A REFTEL), MAKE ORIGINAL GOALS LARGELY UNATTAINABLE, EVEN ON VALOVAYA PRODUCTION BASIS.

4. INDUSTRY. REVERSING ACTUAL RESULTS OF 1973 PERIOD WHEN HEAVY INDUSTRY GREW FASTER THAN LIGHT INDUSTRY (24.1 PERCENT VS 20.3 PERCENT), 1974 PLAN CALLS FOR HIGHER GROUP "B" RATE (7.5 PERCENT VS. 6.6 PERCENT FOR GROUP "A",
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AVERAGING OUT AT 6.8 PERCENT TARGET FOR INDUSTRY AS WHOLE (BM) HOWEVER, DESPITE THESE STATISTICS AND OTHER EFFORTS BY BAYBAKOV AND GARBUZOM TO GIVE PLAN BUDGET CONSUMER-ORIENTED TONE, OVERALL IMPRESSION IS ONE OF STRESS ON HEAVY INDUSTRY. AREAS GIVEN PARTICULAR STRESS BY BAYBAKOV INCLUDE ENERGY, MACHINE-BUILDING/METAL WORKING, AND STEEL, WITH LATTER TERMED BASIS OF ECONOMIC EXPANSION DESPITE APPEARANCE OF NEW PRODUCTS SUCH AS PLASTICS. AT LAST YEAR, BAYBAKOV CALLED FOR RESPONSIBLE USE OF ENERGY INPUTS, BUT EMPHASIS THIS YEAR SEEMS SLIGHTLY STRONGER AND BAYBAKOV WAS ONLY ABLE PROMISE THAT ECONOMY'S

ENERGY NEEDS WOULD BE SATISFIED "IN GENERAL" (VOSNOMNOM).

5. WITH EXCEPTION OF COAL AND FERTILIZERS, 1974 GROWTH TARGETS FOR ALL MAJOR INDUSTRIAL PRODUCTS HAVE BEEN REDUCED FROM ORIGINAL FIVE-YEAR PLAN GOALS, AS FOLLOWS (1974 PLAN GOAL LISTED FIRST AND FIVEYEAR PLAN GOAL FOR 1974 LISTED SECOND): ELECTRIC POWER (975 BKWH VS 985 BKWH); OIL (INCREASE OF 30 MILLION TONS INCLUDING GAS CONDENSATE VS 32 MILLION TONS WITHOUT CONDENSATE); GAS (8.8 PERCENT VS 15PERCENT); CHEMICAL PETROCHEM (9.8 PERCENT VS 13.5 PERCENT); MACHINEBUILDING/METAL WORKING (10.4 PERCENT VS 11.8 PERCENT). THESE CUTBACKS NATURALLY REFLECTED IN OVERALL 1974 GROWTH RATES FOR INDUSTRY, WHICH ORIGINALLY PLANNED AT 8.16 PERCENT FOR INDUSTRY AS WHOLE AND 8.5 PERCENT AND 8.7 PERCENT FOR "A" AND "B" RESPECTIVELY. AS ONE POSSIBLE REFLECTION OF 1974 PLAN OVERALL BIAS ON GROUP "A" VS GROUP "B" RELATIONSHIP, BAYBAKOV STATED THAT 1974 GROWTH IN GROUP "B" OUTPUT WOULD BE ACHIEVED THROUGH FULLER AND MORE RATIONAL USE OF MATERIAL INPUTS AND EQUIPMENT. 7.5 PERCENT PLANNED GROWTH IN GROUP "B" OUTPUT SOMEWHAT DIFFICULT TO IMPUTE ON BASIS TWO MAJOR COMPONENTS, LIGHT AND FOOD INDUSTRIES, WHOSE OUTPUT SCHEDULED INCREASE AT 4 PERCENT AND 7.6 PERCENT RESPECTIVELY. 10 PERCENT PLANNED GROWTH IN OUTPUT HOUSEHOLD GOODS PROVIDES PART OF EXPLANATION.

5. TECHNICAL PROGRESS. BAYBAKOV'S DISCUSSION OF 1974 PLANS FOR INTRODUCTION NEW TECHNOLOGY AND PRODUCTION OF NEW ITEMS CONTAINS NO STETLINO NEWS. FAMILIAR COMPLAINTS ABOUT DELAYS IN THIS AREA ARE REPEATED BUT WITHOUT SENSE OF GREAT URGENCY. ONE INTERESTING ASPECT IS PROGRAM TO BUILD 500 COMPUTER CENTERS IN ENTERPRISES AND ORGANIZATIONS, AN UNSPECIFIED NUMBER OF WHICH WILL BE EQUIPPED WITH THIRD-GENERATION "RIYAD" CENTRAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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PROCESSORS IN ADDITION TO STANDARD, SECOND-GENERATION MACHINES.

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6. TRANSPORT. 1974 PLANNED GROWTH RATES FOR BOTH GOODS AND PASSENGER TRANSPORT, 5.3 PERCENT AND 6 PERCENT RESPECTIVELY, ALSO BELOW FIVE-YEAR PLAN GOALS FOR 1974 (6.5 PERCENT AND 7.1 PERCENT, RESPECTIVELY). PRESUMABLY REFLECTING RECENT SPATE OF AIR CRASHES, BAYBAKOV NOTED THAT "FURTHER MEASURES TO ENSURE FLIGHT SAFETY" WOULD BE IMPLEMENTED.

7. INVESTMENT. FOLLOWING RELATIVELY MODEST PLANNED GROWTH RATE (3.5 PERCENT) IN 1973 CAPITAL INVESTMENTS, WHICH WAS OVERFULFILLED BY SUBSTANTIAL AMOUNT (TOTAL INVESTMENTS GREW BY 4.4 PERCENT), 1974 PLAN CALLS FOR 6.5 PERCENT RISE IN TOTAL INVESTMENTS TO 104.2 BILLION RUBLES. 1974 PLAN CONTINUES LIMITED OFFICIAL USE

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EMPHASIS ON RESTRICTING INVESTMENTS TO MAJOR PROJECTS NEAR COMPLETION AND ON AVOIDING EXCESSIVE NEW STARTS, ALTHOUGH STRESS APPEARS TO BE SOMEWHAT LESS THAN IN 1973 PLAN AND RESTRICTIONS ON NON-CENTRALIZED INVESTMENTS APPEAR TO HAVE BEEN RELAXED. ONE INTERESTING INDICATION OF INFLATION IN CONSTRUCTION COSTS IS FACT THAT WHILE EXPENDITURES OF STATE FUNDS ON HOUSING DURING 1971-73 PERIOD EXCEEDED PLAN BY 3 BILLION RUBLES (OR ABOUT 10 PERCENT), AMOUNT OF HOUSING COMPLETED FELL SHORT OF PLAN BY MORE THAN 8 PERCENT. LISTING OF INDUSTRIAL SECTORS WHICH WILL BE FAVORED IN ALLOCATION OF 1974 INVESTMENT PIE MORE OR LESS REPEATS 1973 PRIORITIES

EXCEPT THAT FERROUS METALLURGY SEEMS DESTINED RECEIVE LARGER SHARE.

8. WAGES/BENEFITS. ALTHOUGH PER CAPITA NATIONAL INCOME, MONEY, WAGES AND RETAIL TRADE SLATED GROW MORE RAPIDLY IN 1974 THAN IN 1973, ALL EXCEPT KOLKHOZ WAGES (UP 6.1 PERCENT) SCHEDULED INCREASE AT LOWER RATE THAN ENVISAGED IN FIVE-YEAR PLAN. REAL PER CAPITA INCOME SLATED RISE BY 5 PERCENT, WAGES STATE EMPLOYEES 3.6 PERCENT AND RETAIL TRADE BY 6.3 PERCENT COMPARED WITH ORIGINAL TARGETS OF 5.6 PERCENT, 4.6 PERCENT AND 7.3 PERCENT, RESPECTIVELY, IN FIVE-YEAR PLAN. IMPLEMENTATION OF HIGHER WAGE SCALES FOR EASTERN AND NORTHERN REGIONS, WHICH WAS TO HAVE BEEN COMPLETED IN 1973, WILL ONLY BE COMPLETED IN 1974, AND EXTENSION OF SYSTEM TO OTHER REGIONS WILL APPARENTLY BE IMPLEMENTED MORE SLOWLY THAN ORIGINALLY PLANNED.

9. FOREIGN TRADE. BAYBAKOV'S DISCUSSION OF FOREIGN TRADE CONTAINS PREDICTABLE EMPHASIS ON CEMA TRADE, ALTHOUGH NO FIGURE GIVEN FOR SHARE OF CEMA COUNTRIES IN OVERALL TURNOVER, WHICH SCHEDULED INCREASE BY 10 PERCENT. UST'-ILMSK CELLULOSE AND ORENBURG ASBESTOS PROJECTS SPECIFICALLY MENTIONED, AND BAYBAKOV NOTES THAT FOR FIRST TIME IN SOVIET PLANNING PRACTICE, 1974 PLAN CONTAINS SPECIAL SECTION ON MEASURES TO IMPLEMENT SOCIALIST INTEGRATION PROGRAM. (COMMENT: SURPRISING ASPECT IS THAT SOVIETS TOOK SO LONG TO ADD THIS SECTION, GIVEN AMOUNT OF ATTENTION CEMA INTEGRATION PRESUMABLY RECEIVES. END COMMENT). LONGER THAN USUAL DISCUSSION OF TRADE WITH WEST NOTES THAT THIS RELATIONSHIP ENABLES USSR OBTAIN MACHINERY NOT PRODUCED IN COUNTRY AND STATES THAT "PRACTICE WILL BE CONTINUED" OF ATTRACTING FOREIGN CREDITS TO USSR WITH REPAYMENT IN PRODUCTION LIMITED OFFICIAL USE

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OF PROJECTS CREATED UNDER CREDITS. GARBUZOV USES INTERESTING ADJECTIVE "INDEMNITY" (KOMPENSATSIONIY) TO DESCRIBE SUCH DEALS.

9. BUDGET: MAJOR POINT OF INTEREST IN GARBUZOV'S PRESENTATION IS REDUCTION OF OSTENSIBLE DEFENSE BUDGET FROM 17.9 BILLION RUBLES IN 1973 TO 17.6 BILLION RUBLES IN 1974. IN LIGHT RECENT SOVIET UNGA INITIATIVE ON REDUCTION OF MILITARY BUDGETS, IT IS PERHAPS SURPRISING THAT GARBUZOV DID NOT MAKE MORE OF THIS REDUCTION, WHICH IS NOT SPECIFICALLY MENTIONED IN TEXT PUBLISHED IN PRAVDA BUT IS SHOWN IN ACCOMPANYING TABLE. HEAVY INDUSTRY EMPHASIS ALSO COMES THROUGH IN BUDGET, WITH GROUP "A-X" SHARE OF FINANCING FROM BUDGET INCREASING MUCH MORE RAPIDLY THAN GROUP "B".

10. BREZHNEV'S ROLE. BOTH BAYBAKOV AND GARBUZOV INCLUDED TRIBUTES TO BREZHNEV FOR HIS DOMESTIC AS WELL AS FOREIGN ACTIVITIES. WHILE BREZHNEV WAS MENTIONED IN THEIR 1972 SPEECHES, TREATMENT THIS YEAR CLEARLY MORE EXTENSIVE, ALTHOUGH

NOT OUT OF KEEPING WITH MANNER IN WHICH BREZHNEV'S ROLE IN DOMESTIC AFFAIRS HAS BEEN HANDLED DURING LAST FEW MONTHS. HOWEVER, WE NOTE THAT SEVERAL SPEAKERS AT SUBSEQUENT SUPREME SOVIET SESSIONS JOINED THE CHORUS OF PRAISE, AND WE HAVE IMPRESSION OF A STEPPED-UP ATTENTION TO BREZHNEV AS ECONOMIC LEADER.

11. AGRICULTURE REPORTED SEPTELS.SOMMERLATTE

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